



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

SOME ARGUMENTS AGAINST MUNICIPAL OWNERSHIP.

BY F. B. THURBER.

THERE are two sides to most questions, and municipal ownership is no exception to this rule. There are situations in countries having a form of government different from ours, where graft is not an epidemic disease, and where public ownership and operation may be successful; but even there opinions differ. In Great Britain it has run its course, and there is a reaction in public opinion against "municipal trading," as it is called there, just at a time when many well-meaning persons in this country, as well as professed Socialists and their organs, are advocating it here.

In a country with universal suffrage, it is desirable to limit the number of public officials to the smallest possible number, for political reasons; and there are also economic reasons which apply especially to lighting, traction and other public-service corporations which are large buyers of materials, employ large numbers of persons and require a high order of administrative ability. Indeed, water, a natural product, which runs down-hill and is distributed with a minimum of labor and expense, is about the only public necessity justifying public ownership in this country, and even in this there are exceptions.

Nothing can be truer, as a rule, than that "public-ownership waste exceeds corporate profit"; supplement this with the even more important political considerations, and thoughtful citizens may well hesitate to favor the present Socialistic fad of municipal ownership. Its advocates play upon public prejudice, and claim economies for public ownership which do not exist.

Public officials where municipal plants have been established are naturally interested in making a good showing and holding

their easy jobs; in many instances, their bookkeeping omits interest, taxes, depreciation, sinking-fund for renewals or improvements, and other items which a private corporation must recognize. The taxpayer is a convenient beast of burden upon which to unload deficits, and he in turn unloads on rentpayers where he can. Under public ownership, new inventions, improvements and extensions are ignored. Under private ownership, the best professional talent is employed at salaries unheard of in public employment, and all these improvements are at once utilized, giving the public an up-to-date service.

Individual initiative and energy, coupled with the cooperation of many small partners in corporations, has made this country great; and I cannot believe that the municipal Socialistic propaganda will largely prevail if the facts are properly presented to the jury of American public opinion.

As illustrative of the above points, I cite a few opinions of others, taking up first:

Political Objections.

"The Evening Post" (New York) of March 8th, 1905, in an editorial on the strike in the Subway and on the Elevated Railway, entitled "Some Lessons of the Strike," said:

"Nor can we omit to point the warning which the strike furnishes against municipal ownership of a great transport system. One thing which the infatuated strike-leaders have steadily counted upon is Mr. Belmont's political involvements. They have repeatedly raided him in the confidence that he dared not antagonize 7,000 voters. Now, imagine the city itself—that is, a Mayor standing for reelection—running all the transportation lines. Fancy 12,000 or 20,000 motormen and conductors directly in the pay of the municipality. What demands should we not see made, what threats indulged in, what political appeals made and terrorism exerted! From what is going on in the green tree of ownership by a politician, we may infer what would be done in the dry tree of ownership by an Administration dependent on universal suffrage. We had best look twice at that fire before jumping into it out of our present frying-pan."

The "Chicago Evening Post" of September 15th, 1905, in an editorial entitled "The Bridgetender's Rake-off," shows how municipal ownership and operation work in Chicago. It said:

"As the taxpayer reads the facts and figures presented by the 'Evening Post' of yesterday regarding the salaries paid to the city bridgetenders,

he will be particularly impressed by the 'rake-off' that goes to the occupants of these 'soft snaps'—the amount of money drawn from the city treasury that is not earned.

"The taxpayer who knows little about practical politics will wonder why a man should be paid \$3,400 a year to look after a bridge, pay out about half of this to have the work done, pocket the other half and devote his time to running a saloon or some other purely private matter. He will marvel that a bridgetender, who at most is nothing but a motorman, should draw several times a motorman's pay, yet do no part of a motorman's work.

"There is not a bridge in Chicago that should not be handled at an outside cost of \$3,000 a year—considering that three or four months the work of attending to bridges is merely nominal. It has been shown that one bridgetender is clearing \$155 a month out of his \$2,700 salary; another is pocketing \$1,840 a year out of \$3,400; still another is netting fully \$1,000 annually out of his \$283.33 a month.

"This is a reckless way to play with the people's money. Even the city authorities who are responsible for the salaries and the selection of the men to whom they are paid show they are ashamed of the whole 'grafting' business by their reluctance to let the people scrutinize the bridgetenders' pay-roll.

"The shameful condition so fully exposed by the 'Evening Post' should be changed without delay. The Mayor and City Council ought to join hands in a bit of reform that would be immediately to the benefit of the public treasury. The Mayor should limit the number of bridgetenders to actual requirements, and he should see that every man earns his pay. The Council should limit the appropriation for this work, so as to leave no opportunity for grafting.

"The bridgetender should be required to attend to bridges, to look after them thoroughly. He should have no time for practical politics or for running a saloon. And for this work, faithfully done, he should receive a fair salary.

"Stop this bridgetenders' graft. Cut out the practical politician's rake-off. Mayor Dunne, who proposes to bring the street railroads under the same management as the city bridges, should be particularly anxious first of all to reform this especially glaring evidence of loose municipal operation."

As illustrating how persons who know only one side of a question change their minds after seeing the other side, the following editorial, entitled "The Conversion of the Scot," from the "New York Times" of June 15th, 1905, is pertinent:

"Mr. James Dalrymple, Glasgow's managing expert of tramways, hailed and imported by the 'Lord Mayor' of Chicago and the Municipal Ownership League of New York as the high apostle of municipal-run street railways, has experienced a conversion and given his adorers a

chill. His change of prospect from the fair municipal landscape of Glasgow to the political bogs and quagmires of Chicago is marked by the following two utterances, the first delivered just after Mr. Dalrymple landed and was hugged by the Leaguers in this city, the other on his way back on Tuesday *via* Philadelphia:

BEFORE.

"I see no reason why Chicago, or any other city in this country, should not be able to own its street railways, and to run them with as much success as we have achieved at Glasgow. I admit that the proposition at Chicago is a much larger one than the one we had to tackle, but at the bottom it is the same.

"The people of Glasgow would not go back to the old days of private ownership for anything in the world. I am not saying that a company would not do as well by the public. I know, in fact, that it could, but it would be doing so with a somewhat different end in view. For a company has always the shareholders to consider. And I have to admit that you will find people in Glasgow to-day—quite influential people, too—who say that the street-car service is not profitable."

AFTER.

"To put street railroads, gas-works, telephone companies, etc., under municipal ownership would be to create a political machine in every large city that would be simply impregnable. These political machines are already strong enough with their control of policemen, firemen, and other office-holders.

"If, in addition to this, they could control the thousands of men employed in the great public-utility corporations, the political machines would have a power that could not be overthrown. I came to this country a believer in public ownership. What I have seen here, and I have studied the situation carefully, makes me realize that private ownership under proper conditions is far better for the citizens of American cities."

Economic Considerations.

The experience of the City of Philadelphia with her gas-works is interesting, because she has both operated and leased them; and the results have a bearing upon both the political and economic phases of this subject.

For many years, the city owned and operated its gas-works, with the result of high prices, poor service and the gradual development of a political ring which robbed the city and practically dominated its politics. This grew so intolerable that, ten years ago, the works were leased to the United Gas Improvement Company. Hays Robbins, in an article in the "World of To-day," December, 1904, says:

"During the late seventies and early eighties, the waste and mismanagement under this [municipal operation] system became so scandalous that public-spirited citizens, notably the well-remembered Committee of One Hundred, dared the power of the gas ring and fearlessly exposed its shameful record. Professor Bryce says that this ring controlled no less than 20,000 votes, using them most effectively to prolong its corrupt rule."

The result of the lease to the United Gas Improvement Company has been to improve the service, lower the price and give

the city a yearly revenue of \$650,000, as against an average yearly deficit under city management of \$239,000.

The candle-power under city management averaged 19.17; under the Company management it has averaged 22.88. Thousands of service connections which were worn out or inadequate in size to supply sufficient gas have been renewed, convenient stations for the payment of gas bills furnished, and the plant brought up to the highest efficiency.

But, while accomplishing this great gain by taking the gas-works out of politics, the city did not entirely escape the evils of municipal ring rule which developed in other directions, and has only recently been broken by another uprising of citizens. Some people have inferred that the recent political revolution in Philadelphia had something to do with the gas business, but it was only in the sense that the political ring controlling the city, needing more revenue to carry on extravagant and fraudulent public improvements which they had inaugurated, approached the United Gas Improvement Company with an offer to extend their lease, provided the Gas Company would raise \$25,000,000 for the ring to carry on the city improvements which were under way. After a long negotiation, the Gas Company consented to a contract which good judges believe would (if the money could have been honestly expended) have been advantageous to the city as well as to the Gas Company. But the abuses of the municipal ring had become such a stench in the nostrils of the community that the public revolted and the ring was smashed. So far, however, as the relations of the Gas Company to the city are concerned, they have been entirely satisfactory, and it will be a sorry day for Philadelphia if the city should resume municipal operation of its gas-works. Municipal ownership is one thing, municipal operation another.

"The Times" (London) recently indicated the result of municipal ownership and operation in England, in a series of articles under the title of "Municipal Socialism," from which the following paragraph is quoted:

"Such was the fashion, however, in which the work was done that it was aptly described by one alderman as 'the municipalization of laziness.' There was little or no control over the men, with whom it was essentially a case of 'go as you please.' One or two members of the Council who had been builders went one day to see how a certain work

was progressing, and they found that two men had been for three weeks on a job which one man ought to have finished in three days. In such circumstances as these, the cost of work went up necessarily. The work's manager estimated, for instance, that certain renovations to be carried out in the Stratford Town Hall by his department would cost nine hundred pounds sterling; but, though nothing more was done than he had allowed for, the bill came to two thousand pounds sterling."

It is natural for public officials to try to make a good showing in their accounts in order to justify themselves, and therefore many items which private corporations have to recognize are often omitted. How it works in England is shown by Mr. John Holt Schooling, an eminent authority, in the "Windsor Magazine," for January, 1905. The following is a summary:

| Undertaking. | No. | Capital. | Annual Result Claimed. | Correct Result. |
|------------------|-----|-------------|------------------------|------------------|
| Gas | 97 | £24,030,000 | Gain, £394,825 | Loss, £1,647,725 |
| Electricity | 102 | 12,510,000 | Gain, 11,707 | Loss, 1,075,057 |
| Trams | 45 | 9,750,000 | Gain, 99,318 | Loss, 729,432 |

The department of Commerce and Labor of the United States Government has issued an interesting report upon the relative expenses of private and municipal electric light and power plants. The year covered is 1902, and the figures as follow:

| | Private Stations Per cent. | Municipal Stations Per cent. |
|---|-------------------------------|---------------------------------|
| Salary and wages..... | 29.9 | 35.8 |
| Supplies, material and fuel..... | 32.6 | 46.2 |
| Rent, taxes, insurance and miscellaneous..... | 18.2 | 8.4 |
| Interest on bonds..... | 19.3 | 9.6 |
| Total..... | 100 | 100 |

Watered Stock.

A principal grievance of the advocates of municipal ownership is that private corporations water their stock, and that this entails an additional burden upon the community. While this may be true in some instances, it is not true as a rule.

The Hon. Chas. G. Dawes, formerly Comptroller of the Currency, well summarizes the facts in the following words:

"Stock in the modern corporation represents, not only ownership, but the location of control. The stockholders of a corporation unani- mously desire permanence of control in a certain set of men, in which event they might find it impracticable to have stock issued only in an amount equal to the cash value of its property. The notion that stock is always watered to sell or to perpetrate some fraud is erroneous. The

public is not necessarily injured because stock at par does not always represent an equal amount of cash or its equivalent.

"Varying values in corporation assets are reflected in the selling or market value of the stock—not by constant alterations in the stock issues themselves. Dishonest men may, and do to some extent, use watered stock to create impressions of value which does not exist; but the abolishment of watered stock would not materially hinder them. Wrong impressions and overvaluations of stock worth par or above par are created as easily as in the case of watered stock worth less than par, and generally by similar methods. Stock exchanges, through the improper manipulation of operators, are frequently used to create wrong impressions of stock values; but in such cases, and all cases, it is not the water in the stock that causes the chief trouble among unwary investors. It is the water in the prices they pay for it. And that kind of water may be found at times irrigating with remarkable impartiality purchases of stocks at all prices above and below par."

This is emphasized by the Hon. M. A. Knapp, Chairman of the Interstate Commerce Commission, who, in a paper before the American Association for the Advancement of Science, said:

"If common assertion is well founded, the body politic is afflicted with a grievous ailment which takes the name of 'trusts.' Those who diagnose this malady—and nearly every one professes ability to do so—declare that one of its worst and most aggravated symptoms is over-capitalization, or 'watered stock.' For this and other manifestations of the disorder the favorite specific just now is publicity.

"With all deference to those who advocate such publicity as a preventive of stock-watering, I venture to doubt the correctness of their contention. Indeed, my scepticism goes to the extent of questioning whether over-capitalization, as such, is a matter of real gravity, much less a portentous evil which demands an extraordinary remedy. I hold it unproved that the excessive issue of corporate securities is a source of such danger as to excite alarm, and I am yet to be convinced that enforced publicity will not be a harmful exercise of public authority.

"Leaving out the speculator, and taking into account only those seeking honest investment, ten times more money, to say the least, has been sunk in farm mortgages, suburban lots, patent rights, buying and selling grain, cotton and other commodities, where no corporate shares were dealt in or even existed, than was ever lost on account of the fictitious or excessive issue of corporate securities. If the State is to assume the function of keeping folly and cupidity from paying twice or ten times what a thing is worth, it surely would assume the guardianship of the largest numbers and the heaviest losers."

The foregoing applies to the interest of the investor as affected by watered stock. As regards the interest of the consumer of public utilities, the watered railroad carries at the same price as

the unwatered, and the watered gas company sells its product at the same price as the unwatered one. There is a thought in this connection which may not have occurred to everybody, and that is that, even if watered stock is a medium through which promoters do sometimes make profit in one way or another, are they not entitled to a profit? Would our railroads and other public utilities have been built if there had not been a profit to promoters beyond six per cent. upon the actual investment? Some men put their money, labor and time into transportation; some into real estate. Transportation made the real estate valuable. It saved time for the general public and promoted their comfort; yet the men who have grown rich through increased values of real estate are honored, and those who have grown rich through transportation are denounced as "franchise grabbers" and "public robbers." The same is true of lighting, telephone and other corporations. It appears that to grow rich through rendering the public a service is a crime, while to grow rich without such service is honorable. How many of us appreciate that "corporation" means "cooperation" and that the captains of industry, backed by many small partners (stockholders), are doing a great work?

The advocates of municipal ownership and operation claim, first, that it would be a relief from present political corruption; second, that profits would be realized for the public which are now absorbed by corporations. I believe that political corruption under municipal ownership and operation would be infinitely greater than at present, and the expected profits would turn out losses, to be borne by taxpayers. I have stated facts and opinions in support of this belief. I could add many others if space permitted.

There is a large and growing class of citizens who believe in "a square deal" for everybody; that government should protect life, property, health and education, but that in a country with universal suffrage the number of political employees should not be unduly increased; that the line should be drawn between public ownership and public administration, that in a manufacturing or transportation business public administrative waste exceeds corporate profit, and political dangers are greatly enhanced; and that Individualism as distinguished from Socialism should be encouraged.

F. B. THURBER.